

Message Text

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PAGE 01 KINGST 07204 141509Z
ACTION ARA-15

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INFO AMEMBASSY SANTO DOMINGO

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STATE-AID MESSAGE

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAID, JM
SUBJECT: GOJ FOOD ASSISTANCE REQUEST

REF: KINGSTON 7156

1. IN FOLLOW-UP MEETING YESTERDAY AFTERNOON AT MINISTRY OF COMMERCE AND INDUSTRY, ACTING MINISTER AND PARLIAMENTARY SECRETARY LESLIE BIRCH, PERMANENT SECRETARY WARREN WOODHAM, STATE TRADING CORPORATION DIRECTOR DEXTER ROSE, AND JAMAICA NUTRITION HOLDINGS DIRECTOR LEROI LORDE PROVIDED FURTHER DETAILS REGARDING THE REQUEST MADE BY FOREIGN MINISTER PATTERSON TO THE AMBASSADOR YESTERDAY MORNING.

2. GIVEN FOREIGN EXCHANGE CONSTRAINTS PROJECTED FOR LAST QUARTER THIS CALENDAR YEAR, GOJ OFFICIALS SEE SHORTFALL OF SOME \$12 MILLION BETWEEN MINIMUM IMPORT NEEDS AND EXPECTED FOREIGN EXCHANGE AVAILABILITIES FOR BASIC FOODS INCLUDING RICE, COUNTERFLOUR, SOYABEANS, CHICKEN NECKS
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PAGE 02 KINGST 07204 141509Z

AND BACKS, CORNED BEEF, CANNED SARDINES AND MACKEREL, CODFISH, AND PICKLED AND FROZEN BEEF.

3. GOJ HAD HOPED THAT WE AND THE CANADIANS AS PRINCIPAL SUPPLIERS OF ABOVE COMMODITIES WOULD BE ABLE TO HELP WITH THIS SHORTFALL. THE CANADIAN HIGH COMMISSIONER, HOWEVER, INFORMED JAMAICANS AND US YESTERDAY THAT CANADIAN CREDIT

OF \$7.0 MILLION SPECIFICALLY FOR FOOD, THAT WAS TO BE CHANNELLED THROUGH THE CARIBBEAN DEVELOPMENT FACILITY WOULD NOT BE AVAILABLE. CONSEQUENTLY, GOJ LOOKING TO U.S. TO HELP AS MUCH AS POSSIBLE WITH ENTIRE SHORTFALL.

4. GOJ REQUEST IS FOR U.S. TO PROVIDE COMMODITY IMPORT LOAN, PL 480 OR CCC CREDIT ASSISTANCE FOR OCTOBER THROUGH DECEMBER IMPORTS OF 270,000 ONE HUNDRED POUND BAGS OF COUNTERFLOUR WITH APPROXIMATE VALUE OF \$3.3 MILLION AND 22.5 METRIC TONS OF SOYABEAN WITH APPROXIMATE VALUE OF \$6.8 MILLION. IN ADDITION, GOJ PROPOSES ASSUMPTION UNDER MORE CONCESSIONAL TERMS OF CURRENT 180 DAY CREDIT ON ORDER OF 3,000 TONS OF RICE PLUS ADDITIONAL 2,000 TONS NEW ORDER WITH TOTAL VALUE OF ABOUT \$2.5 MILLION.

5. WE INDICATED POOR PROSPECTS OF COMMODITY IMPORT LOAN OR PL 480 ASSISTANCE TO COVER THESE REQUIREMENTS BUT SAID WE WOULD RELAY GOJ REQUEST FOR SUCH ASSISTANCE. A MORE LIKELY PROSPECT WE SAID COULD BE CCC CREDITS. PLEASE ADVISE URGENTLY.

6. ACUTE FOURTH QUARTER FOREIGN EXCHANGE DIFFICULTY STEMS FROM THE COUNTRY'S DESPERATELY SERIOUS SITUATION WHICH HAS NOT YET BEEN SIGNIFICANTLY RELIEVED BY THE GOJ-IMF AGREEMENT. MAJOR CAUSES FOR THE PERSISTENCE OF THE CRISIS ARE (A) LIMITED OFFICIAL USE

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PAGE 03 KINGST 07204 141509Z

POOR EXPORT PERFORMANCE DURING THE FIRST SEMESTER OF 1978 (18 PER CENT BELOW THE FIRST SEMESTER OF 1977); AS A RESULT, THERE WAS A TRADE DEFICIT OF US\$69 MILLION FOR THE FIRST SIX MONTHS OF 1978 COMPARED WITH A DEFICIT OF ONLY US\$2.2 MILLION DURING THE SAME PERIOD LAST YEAR; (B) DELAYS IN OBTAINING COMMERCIAL BANK LOANS THAT WOULD OFFSET LOAN REPAYMENTS CURRENTLY DUE, THUS MAINTAINING THE PAST LEVEL OF BANK CREDIT EXPOSURE; THE LOANS ARE EXPECTED IN OCTOBER OR NOVEMBER; (C) US\$29 MILLION IN FOREIGN EXCHANGE, SLIGHTLY MORE THAN REQUIRED BY THE IMF AGREEMENT, WAS GRANTED TO REDUCE OUTSTANDING ARREARS TO HELP RESTORE THE COUNTRY'S FOREIGN CREDIT STANDING. IN ADDITION TO THE ABOVE, THE FOREIGN EXCHANGE SITUATION IS AGGRAVATED BY SEASONALITY FACTORS: RESERVES ARE TRADITIONALLY LOW IN THE LAST QUARTER OF THE YEAR OWING TO THE TIMING OF CROP EXPORTS AND LOW TOURISM RECEIPTS. THUS, THE FOREIGN EXCHANGE SHORTAGE IS EXPECTED TO BE EXCEPTIONALLY ACUTE BETWEEN NOW AND THE END OF THE YEAR.

IRVING

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